

**NEW MEXICO
CLEAN WATER STATE REVOLVING FUND (CWSRF)
PRIORITY SYSTEM
POLICIES AND PROCEDURES
FISCAL YEAR 2000
THROUGH 2005**

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INTRODUCTION

Title VI of the Clean Water Act (CWA), as amended in 1987, authorized the U.S. Environmental Protection Agency (EPA) to make capitalization grants to states for deposit in state clean water pollution control revolving funds (CWSRF). The CWSRF in New Mexico is the Clean Water State Revolving Fund also known as Wastewater Facility Construction Loan Fund which is administered by the New Mexico Environment Department (NMED). From this fund, the state can provide loans and grants to communities, counties, Indian Tribes and sanitation districts for the construction of publicly owned wastewater treatment facilities.

Congress created the CWSRF capitalization grant program to facilitate the establishment of permanent institutions in each state that would provide continuing sources of financing needed to maintain water quality. The CWSRF capitalization grant program is fundamentally different from the established construction grant program. In the prior grant program, EPA is ultimately responsible for awarding construction grants, with the states managing the projects on a day-to-day basis. In the capitalization grant program, the states have the responsibility for CWSRF operations including providing assistance for construction.

ELIGIBLE APPLICANTS FOR LOANS

Any municipality, county, Indian tribe, or sanitation district which has jurisdiction over the disposal of sewage, industrial wastes, or other wastes may apply for a loan under the New Mexico Wastewater Facility Construction Loan Act, 20.7.5 NMAC – 20.7.7 NMAC and NMSA 1978 §§ 74-6A-1-74-6A-12.

PRIORITY MANAGEMENT SYSTEM

Regulations pursuant to the Wastewater Facility Construction Loan Act have been adopted by the Water Quality Control Commission (WQCC) which is the state's water pollution control agency. These regulations reference the approved Priority Rating System for CWSRF Loan Projects. Day-to-day administration of the priority system and of the loan grant and grant program is performed by NMED, a constituent agency of the WQCC and agent for the WQCC.

PRIORITY LIST MANAGEMENT

In accordance with EPA regulations, the state is permitted to award loans for projects based upon the accepted state priority list, which may be for multiple years. Developed in concordance with an approved state priority system, the priority list determines the funding sequence for individual projects. Loan assistance may be awarded to any eligible wastewater facility project. As part of administration of the program, the NMED has promulgated the administrative, management, and public participation procedures required to develop and to revise the priority list.

In developing the priority list the state will ensure that adequate public participation takes place. Each calendar year, a notice will be sent to all counties, municipalities, sanitation districts, Indian tribes, consulting engineers, and other interested parties requesting any recommended change, additions, and/or deletions to the priority list. The changes will be reviewed by NMED. Public written comment will be solicited on the proposed priority list, and will be summarized. The priority list will be submitted to the U.S. EPA Regional Administrator for review.

The priority list will become effective upon approval by the state and will supersede all prior lists. The priority list may be updated throughout the year as cost estimates are revised.

A change in the accepted priority list which would significantly alter the list or significantly impact other projects on the list will be subject to a public hearing. Otherwise, communities on the list will simply be notified by mail of the reversions. The NMED shall remove a project from the project priority list when one of the following conditions applies:

- A. The project has been funded;
- B. the project is found to be ineligible by the NMED;
- C. an existing loan is terminated or annulled by the NMED; and
- D. a community signifies that it does not intend to continue in the program.

PROJECTS ELIGIBLE FOR LOANS IN FISCAL YEAR 2000 THROUGH 2005

The priority list contains all those projects, which are eligible for loans in FY 2000 through 2005. Low interest loans may be made up to the total eligible project cost subject to availability of funds and ability to repay in accordance with the New Mexico Wastewater Facility Construction Loan Act.

CATEGORIES OF NEED

All projects must fit into one or more of the following categories of need to be eligible for funding:

- A. Secondary treatment or any cost-effective alternative, including septage and sludge management;
- B. Treatment more stringent than secondary or any cost-effective alternative;
- C. New interceptors and appurtenances;
- D. Infiltration/inflow correction.
- E. Major sewer system rehabilitation;

- F. New collector sewers and appurtenances;
- G. Correction of combined sewer overflows;
- H. Non-point source activities under section 319(h); and
- I. Groundwater protection activities under section 319(I).

PRIORITY RANKING

In New Mexico, a project is ranked using the following formula:

$$\text{Integrated Priority Rating Number} = \text{PS} + \text{NPS} + \text{BR}$$

Where:

PS = the point source discharge component

NPS = the Non-point source component

BR= the Brownfields Redevelopment component

Prior to the placement of any new project on the priority list, the applicant must submit a written request to the NMED. The request will be evaluated and, if determined to be eligible under the Federal Clean Water Act of New Mexico Wastewater Facility Construction Loan Act, a preplanning conference will be scheduled to explain the program. Determination of eligibility will depend upon data provided by the applicant and verified by the NMED. Applicants for projects not meeting the requirements of the Act will not be placed on the priority list.

FUNDING LIMITATION

There is no minimum limit for a loan amount. The maximum loan amount to a borrower which will be considered is 50% of available funds in a federal fiscal year. This limitation shall be waived, if 90 days before the close of the fiscal year, the NMED determines that pending loan applications will not fully obligate available funds in that fiscal year.

BYPASS PROCEDURE FOR LOANS

It is the policy of NMED to make loans to communities in order of priority on the current priority list to the extent reasonable considering the following:

- A. willingness of a community to accept a loan;
- B. financial capability of the community to service the loan, to perform operation and maintenance, to maintain a replacement fund and a debt service reserve fund; and

- C. readiness to proceed.

Loans may be awarded for a project regardless of placement on the priority list. Projects which are not ready to proceed to the interim loan agreement stage within six months of allocation of available loan funds will be bypassed by projects lower on the priority list, which are ready to proceed. A project which is bypassed in one fiscal year may receive a loan in a subsequent fiscal year but, may not retain its allocation ranking over projects which are new to the priority list during a new six month period in a subsequent fiscal year.

RESERVES

Upon receipt of the Annual Advice of Allowance of federal capitalization grant funds from the U.S. EPA Regional Administrator, certain reserves are required to be set aside by the state to be used for specific purposes. The dollar amount of the reserve is determined when the Advice of Allowance is issued. Any sum made available to the state through deobligation or reallocation from other states will be treated in the same manner as the most recent allotment.

- A. Reserve for Water Quality Management: each state shall reserve no less than \$100,000 nor more than 1% from its annual allotment to carry out water quality management planning pursuant to section 604(b). Funds reserved for this purpose are subject to reallocation by EPA if not used during the allotment period. From this reserve, the state shall carry out water quality management planning tasks, including but not limited to, determining the nature, extent, and cause of water quality problems in various areas of the state and interstate region, and reporting on these annually.
- B. Each state may utilize up to 4% of its state revolving loan fund capitalization grant from U.S. EPA for reasonable administration expenses of the loan fund pursuant to section 603(d)(7) of the Clean Water Act.